

# **Kent County Road Commission**

**(a component unit of Kent County)**

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**Financial Report**  
**with Supplemental Information**  
**September 30, 2008**

# Kent County Road Commission

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## Independent Auditor's Report

To the Board of Road Commissioners  
Kent County Road Commission

We have audited the accompanying financial statements of the governmental activities and each major fund of Kent County Road Commission (a component unit of Kent County, Michigan) (the "Road Commission") as of and for the year ended September 30, 2008, which collectively comprise Kent County Road Commission's basic financial statements, as listed in the table of contents. These basic financial statements are the responsibility of the Road Commission's management. Our responsibility is to express opinions on these basic financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the basic financial statements referred to above present fairly, in all material respects, the financial position of the governmental activities and each major fund of Kent County Road Commission at September 30, 2008 and the respective changes in financial positions for the year then ended, in conformity with accounting principles generally accepted in the United States of America.

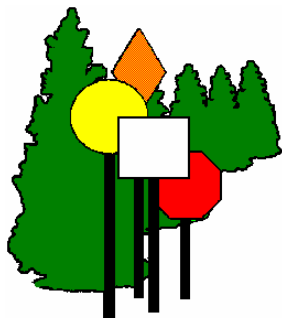
The management's discussion and analysis and the required supplemental information, as identified in the table of contents, are not required parts of the basic financial statements, but are supplemental information required by the Governmental Accounting Standards Board. We have applied certain limited procedures, which consisted principally of inquiries of management, regarding the methods of measurement and presentation of the supplemental information. However, we did not audit the information and express no opinion on it.

To the Board of Road Commissioners  
Kent County Road Commission

Our audit was made for the purpose of forming opinions on the basic financial statements taken as a whole. The other supplemental information listed in the table of contents is presented for the purpose of additional analysis and is not a required part of the basic financial statements of Kent County Road Commission. This information has been subjected to the procedures applied in the audit of the basic financial statements, and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

*Plante & Moran, PLLC*

January 22, 2009



## Board of County Road Commissioners of the County of Kent

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Jon F. Rice, P.E.  
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Steven A. Warren  
Deputy Director

John L. Strauss  
Director of Finance

### **Management's Discussion and Analysis**

This section of Kent County Road Commission's (the "Road Commission") annual financial report presents our discussion and analysis of the Road Commission's financial performance during the fiscal year that ended on September 30, 2008. Please read it in conjunction with the Road Commission's basic financial statements, which follow this section.

#### **Financial Highlights**

- The Road Commission's total net assets increased by \$3.7 million.
- Total revenue sources for the year of \$52.3 million exceeded expenditures net of contributions of \$48.6 million by \$3.7 million.

#### **Overview of the Financial Statements**

This annual report consists of four parts - management's discussion and analysis (this section), the basic financial statements, required supplemental information, and other supplemental information.

The financial statements also include notes that explain some of the information in the financial statements and provide more detail data. The statements are followed by a section of required supplemental information that further explains and supports the information in the financial statements. In addition to these elements, we have included a section with more detail regarding administrative expenditures, distributive expenditures, and Road Fund balances.

# Kent County Road Commission

## Management's Discussion and Analysis (Continued)

### Financial Analysis of the Road Commission as a Whole

#### Net Assets

The Road Commission's combined net assets increased during the fiscal year by \$3.7 million, ending the year at \$281.7 million. Table I shows the composition of the Road Commission's net assets at September 30, 2008 and 2007.

TABLE I

	Governmental Activities	
	September 30, 2008	September 30, 2007
	(in thousands)	
<b>Assets</b>		
Current and other assets	\$ 25,977	\$ 22,138
Capital assets	266,031	265,300
Total assets	292,008	287,438
<b>Liabilities</b>		
Long-term liabilities	3,966	3,793
Other liabilities	6,311	5,591
Total liabilities	10,277	9,384
<b>Net Assets</b>		
Invested in capital assets - Net of related debt	266,031	265,300
Unrestricted	15,700	12,754
Total net assets	<u>\$ 281,731</u>	<u>\$ 278,054</u>

### Changes in Net Assets

The Road commission's change in net assets was due to a combination of various revenue sources and expense categories as shown in table 2.

The Michigan Transportation Fund revenue is the result of a statutory formula that is structured to share various fuel taxes and license fees collected by the State with cities, county road commissions, and the Michigan Department of Transportation. This revenue item is the primary source of revenue for the Road Commission. For fiscal year 2008, there was a 2.4 percent decrease in receipts from the Michigan Transportation Fund revenue compared to the same period last year. Revenue from the State Trunkline maintenance was up 19.5 percent because of unusual winter weather that increased winter maintenance costs. Federal and state aid increased from the 2007 level by \$4.2 million due to the completion of projects that were partially funded by grants.

# Kent County Road Commission

## Management's Discussion and Analysis (Continued)

TABLE 2

	Governmental Activities	
	Year Ended	
	September 30, 2008	September 30, 2007
	(in thousands)	
<b>Revenue</b>		
Michigan Transportation Fund	\$ 29,359	\$ 30,090
State trunkline maintenance	7,813	6,539
Federal and state aid	8,753	4,544
Contributions for work performed for others	5,200	6,485
Contributions for construction of facilities	355	316
Interest	646	616
Gain on sale of assets	61	220
Property rentals	155	140
Total revenue	52,342	48,950
<b>Expenses</b>		
Maintenance	29,376	25,787
Equipment	6,133	6,810
Less equipment rentals charged to other expenditures	(10,133)	(8,642)
Administrative	1,017	862
Work performed for units of government and other	2,312	2,465
Depreciation and depletion	21,698	22,067
Debt service	47	9
Total expenses	50,450	49,358
<b>Contribution of Infrastructure</b>	1,786	-
<b>Change in Net Assets</b>	<b>\$ 3,678</b>	<b>\$ (408)</b>

### Financial Analysis of the Road Commission's Funds

The undesignated fund balance of the governmental fund - Road Fund ended the year at \$11.7 million, which is \$0.9 million more than the previous year.

# Kent County Road Commission

## Management's Discussion and Analysis (Continued)

### Road Fund Budgetary Highlights

The budget was for a 12-month period beginning October 1, 2007 and continuing through September 30, 2008. The Road Commission amended its 2008 budgeted revenue by \$3.5 million primarily because of additional work performed for the state trunklines. The revenue results of \$53.1 million were short of the amended budgeted amount of \$55.8 million.

The expenditure budget was increased by \$5.2 million and came in nearly \$8.0 million under budget.

### Capital Assets

The Road Commission has \$266.0 million in capital assets (net of depreciation) at the end of the year, which was an increase of \$0.7 million from 2007. The infrastructure amount includes expenditures since 1980.

	Governmental Activities	
	Year Ended	
	September 30, 2008	September 30, 2007
	(in thousands)	
Land and land improvements	\$ 2,405	\$ 2,405
Construction in progress	161	-
Buildings	6,951	7,210
Road equipment	3,089	2,924
Shop equipment	195	224
Nonrental equipment	4	5
Office equipment	127	18
Engineering equipment	44	53
Gravel pits	1	1
Yard and storage bins	797	876
Infrastructure	252,258	251,584
Total	<u>\$ 266,032</u>	<u>\$ 265,300</u>

Infrastructure improvements completed during the year involved constructing or reconstructing roads, bridges, or intersections. The various townships within the County of Kent participated in work done on the local system. During the year, more than 30 miles of road improvements were made on primary and local roads. There were 13 safety improvements to intersections in the county and three structures (bridges and culverts) were improved.



# **Kent County Road Commission**

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## **Management's Discussion and Analysis (Continued)**

### **Economic Factors and Next Year's Budget**

The unfavorable economic conditions continue within the state of Michigan and within the nation. A reduction in the Michigan Transportation Fund revenue is anticipated for 2009. The Michigan Department of Transportation has informed the public of reduced level of snow and ice removal services during the next year.

### **Contacting the Road Commission's Financial Management**

The financial report is designed to provide a general overview of the Road Commission's finances and accountability of the public trust. Questions regarding any of the information provided in this report or requests for additional information should be addressed to the director of finance, Kent County Road Commission, 1500 Scribner Ave., N.W., Grand Rapids, Michigan 49504 or visit us on the web at: [www.KentCountyRoads.net](http://www.KentCountyRoads.net).

# Kent County Road Commission

## Governmental Fund Balance Sheet/Statement of Net Assets September 30, 2008

	Governmental Fund - Road Fund	Adjustments (Note 2)	Statement of Net Assets
<b>Assets</b>			
Cash, cash equivalents, and investments held by treasurer of the County of Kent (Note 3)	\$ 16,198,597	\$ -	\$ 16,198,597
Accounts receivable	7,764,323	-	7,764,323
Inventory	1,536,142	-	1,536,142
Prepaid expenses and other assets	478,236	-	478,236
Capital assets - Net (Note 4):			
Assets being depreciated	-	263,464,389	263,464,389
Assets not being depreciated	-	2,566,787	2,566,787
Total assets	<u><u>\$ 25,977,298</u></u>	266,031,176	292,008,474
<b>Liabilities</b>			
Accounts payable	\$ 3,362,302	-	3,362,302
Advances and deferred revenue	1,555,179	-	1,555,179
Accrued liabilities and other	1,393,435	-	1,393,435
Other long-term liabilities (Note 5)	-	3,966,138	3,966,138
Total liabilities	6,310,916	3,966,138	10,277,054
<b>Fund Balances</b>			
Reserved for inventory and prepaid expenses	2,014,378	(2,014,378)	-
Unreserved:			
Designated for road projects (Note 11)	5,410,000	(5,410,000)	-
Designated for postemployment benefits (Note 10)	495,826	(495,826)	-
Undesignated	11,746,178	(11,746,178)	-
Total fund balances	<u>19,666,382</u>	<u>(19,666,382)</u>	-
Total liabilities and fund balances	<u><u>\$ 25,977,298</u></u>		
<b>Net Assets</b>			
Invested in capital assets		266,031,176	266,031,176
Unrestricted		15,700,244	15,700,244
Total net assets		<u><u>\$ 281,731,420</u></u>	<u><u>\$ 281,731,420</u></u>

# Kent County Road Commission

## Statement of Governmental Fund Revenues, Expenditures, and Changes in Fund Balance/Statement of Activities Year Ended September 30, 2008

	Governmental Fund - Road Fund	Adjustments (Note 2)	Statement of Activities
<b>Revenue</b>			
Michigan Transportation Fund:			
Primary road system	\$ 24,096,269	\$ -	\$ 24,096,269
Local road system	5,262,598	-	5,262,598
State trunkline maintenance	7,812,766	-	7,812,766
Federal and state aid	8,753,228	-	8,753,228
Contributions for work performed for others	5,199,513	-	5,199,513
Contributions for facilities construction	355,448	-	355,448
Interest	646,102	-	646,102
Proceeds from sale of fixed assets	76,027	(76,027)	-
Gain on sale of assets	-	61,436	61,436
Property rentals	155,444	-	155,444
Total revenue	52,357,395	(14,591)	52,342,804
<b>Expenditures - Current</b>			
Construction:			
Primary	2,167,162	(2,167,162)	-
Local	201,900	(201,900)	-
Preservation:			
Primary	13,838,408	(13,838,408)	-
Local	3,001,450	(3,001,450)	-
Maintenance:			
Primary	9,848,932	-	9,848,932
Local	11,118,560	-	11,118,560
State trunkline maintenance	8,408,973	-	8,408,973
Equipment:			
Direct	3,963,486	(1,415,619)	2,547,867
Indirect	2,148,289	(287,873)	1,860,416
Operating	2,012,135	(286,960)	1,725,175
Capital outlay	1,362,622	(1,362,622)	-
Less equipment rentals charged to other expenditures	(10,133,240)	-	(10,133,240)
Administrative	844,184	172,839	1,017,023
Work performed for local units of government and others	2,312,359	-	2,312,359
Depreciation and depletion	(1,903,684)	23,601,366	21,697,682
Debt service	46,529	-	46,529
Total expenditures	49,238,065	1,212,211	50,450,276
<b>Contribution of Capital Assets</b>	-	1,785,539	1,785,539
<b>Change in Fund Balance/Net Assets</b>	3,119,330	558,737	3,678,067
<b>Fund Balance/Net Assets - Beginning of year</b>	16,547,052	261,506,301	278,053,353
<b>Fund Balance/Net Assets - End of year</b>	<b>\$ 19,666,382</b>	<b>\$ 262,065,038</b>	<b>\$ 281,731,420</b>

The Notes to Financial Statements are an  
Integral Part of this Financial Statement.

# Kent County Road Commission

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## Notes to Financial Statements September 30, 2008

### **Note 1 - Significant Accounting Policies**

Kent County Road Commission (the "Road Commission") is a governmental agency responsible for the maintenance and construction of the road system in the County of Kent, Michigan (the "County"). The Road Commission's financial statements will be included in the basic financial statements of the County as a discretely presented component unit.

The accounting policies of the Road Commission conform to accounting principles generally accepted in the United States of America (GAAP) as applicable to governmental units. The following is a summary of the significant accounting policies:

#### **Basic Financial Statements - Government-wide and Fund Financial Statements**

The government-wide financial statements (i.e., the statement of net assets and the statement of activities) report information on all of the activities of the Road Commission. The Road Commission consists solely of governmental-type activities; no business-type activities exist.

The fund financial statements are provided for governmental funds and have been separately stated in conjunction with the government-wide financial statements.

The Road Commission is comprised of a single governmental fund.

#### **Measurement Focus, Basis of Accounting, and Financial Statement Presentation**

The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. Revenue is recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenue is recognized as soon as it is both measurable and available. Revenue is considered to be available if it is collected within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the Road Commission considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. Revenue related to construction projects and inspection work orders is recognized when the related costs are incurred, subject to the availability criterion. Other revenue is recorded when received.

# Kent County Road Commission

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## Notes to Financial Statements September 30, 2008

### **Note 1 - Significant Accounting Policies (Continued)**

Expenditures are generally recorded when a liability is incurred, as under accrual accounting. However, expenditures related to compensated absences and claims and judgments are recorded only when payment is due. Interest earned on investments is recorded on the accrual basis.

The Road Commission reports the following major governmental fund:

**Road Fund** - The Road Fund is the Road Commission's primary operating fund. It accounts for all financial resources of the Road Commission, except those required to be accounted for in another fund.

Private sector standards of accounting issued prior to December 1, 1989 are generally followed in the government-wide financial statements to the extent that those standards do not conflict with the standards of the Governmental Accounting Standards Board.

**Cash, Cash Equivalents, and Investments** - Cash and cash equivalents are considered to be cash on hand, demand deposits, and short-term investments with a maturity of three months or less when acquired. Investments are reported at fair value, based on quoted market prices.

**Accounts Receivable** - Accounts receivable are primarily amounts due from other units of government. The Road Commission has not recorded a provision for doubtful accounts receivable since it is the opinion of management that those receivables are collectible in full.

**Inventory and Prepaid Items** - Inventory, principally consisting of road material, salt, signs, and equipment maintenance materials, is valued at average cost. Inventories of governmental funds are recorded as expenditures when consumed rather than when purchased. Certain payments to vendors reflect costs applicable to future fiscal years and are recorded as prepaid items in both government-wide and fund financial statements.

# Kent County Road Commission

## Notes to Financial Statements September 30, 2008

### Note 1 - Significant Accounting Policies (Continued)

**Capital Assets** - Capital assets, which include property, plant, equipment, and infrastructure assets (e.g., roads, bridges, sidewalks, and similar items), are reported in the government-wide financial statements. Capital assets are defined by the Road Commission as all land evidenced by a deed, buildings and building improvements with a minimum cost of \$5,000 and \$2,500, respectively, all infrastructure, all licensed and road maintenance equipment, computers and computer software costing more than \$1,000 and \$2,500, respectively, and all other equipment with a minimum cost of \$2,500. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are valued at estimated fair market value at the date of donation. Capital assets are depreciated using the straight-line or units of production methods over the following useful lives:

	Useful Life - Years
Buildings and storage bins	25-50
Gravel pits	Various
Equipment	3-8
Roads	8-20
Other infrastructure	20-40

**Advances and Deferred Revenue** - Governmental funds report deferred revenue in connection with receivables for revenues that are not considered to be available to liquidate liabilities of the current period. Governmental funds also defer revenue recognition in connection with resources that have been received but not yet earned. At the end of the year, all advances were unearned.

**Compensated Absences (Vacation and Sick Leave)** - It is the Road Commission's policy to allow employees to accumulate earned but unused sick and vacation pay benefits. The Road Fund recognizes the expenditure when the obligations come due for payment; the statement of net assets and the statement of activities recognize the expense at the time the hours are earned by the employees.

**Fund Equity** - In the fund financial statements, governmental funds report designations of fund balance for amounts that represent management's tentative plans, which are subject to change.

**Use of Estimates** - The preparation of financial statements in conformity with accounting procedures generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets, liabilities, revenues, and expenditures at the date of the financial statements and during the reporting period. Actual results could differ from those estimates.

# Kent County Road Commission

## Notes to Financial Statements September 30, 2008

### Note 1 - Significant Accounting Policies (Continued)

Other accounting policies are disclosed in the following notes to the financial statements.

### Note 2 - Reconciliation of Government-wide and Fund Financial Statements

Amounts reported in the government-wide financial statements are different from amounts reported in the governmental funds because of the following:

<b>Governmental Fund - Fund Balance</b>	\$ 19,666,382
Capital assets used in governmental activities are not financial resources and are not reported in the governmental fund	266,031,176
Compensated absences are not reported in the governmental fund	<u>(3,966,138)</u>
<b>Net Assets - Governmental Activities</b>	<u><u>\$ 281,731,420</u></u>
<b>Net Change in Fund Balance - Total Governmental Funds</b>	\$ 3,119,330
The governmental fund reports capital outlay as expenditures; in the statement of activities, these costs are allocated over their estimated useful lives as depreciation:	
Capital outlay incurred in the current year	20,658,310
Depreciation	(21,697,681)
Contributions of capital assets are recorded in the statement of activities, but are not recorded in the governmental fund	1,785,538
In the statement of activities, only the gain on the sale of capital assets is reported, whereas in the governmental fund, the proceeds from the sale are reported. Therefore, the change in net assets differs from the change in fund balance by the net book value of the assets sold	(14,591)
Increases in accumulated employee sick and vacation pay, estimated workers' compensation, and health claims are recorded when earned in the statement of activities	<u>(172,839)</u>
<b>Change in Net Assets of Governmental Activities</b>	<u><u>\$ 3,678,067</u></u>

# Kent County Road Commission

## Notes to Financial Statements September 30, 2008

### Note 3 - Cash, Cash Equivalents, and Investments

Michigan Compiled Laws Section 129.91 (Public Act 20 of 1943, as amended) authorizes local governmental units to make deposits and invest in the accounts of federally insured banks, credit unions, and savings and loan associations that have offices in Michigan. The Road Commission is allowed to invest surplus monies (of nonpension funds) in bonds, securities, and other direct obligations of the United States or any agency or instrumentality of the United States; repurchase agreements; bankers' acceptances of United States banks; and mutual funds and investment pools that are composed of investment vehicles that are legal for direct investment by local units of government in Michigan.

The Road Commission participates in the Money Max Cash Management System of the County of Kent (a pooled investment fund created in accordance with Michigan Public Act 20 of 1943, as amended). The Road Commission's cash, cash equivalents, and investments during the year consisted solely of the above-mentioned pooled cash management fund, with the exception of \$1,300 in petty cash. Since the monies are pooled for investment purposes with other County of Kent surplus monies, it is not possible to segregate the fund between cash, cash equivalents, and investments. The Road Commission believes that the investments in this fund comply with the applicable State of Michigan regulations.

The Road Commission's investments are subject to certain risks, which are examined in more detail below:

**Interest Rate Risk** - Interest rate risk is the risk that the value of investments will decrease as a result of a rise in interest rates. The Road Commission's investment policy does not restrict investment maturities.

	Less than One		
	Fair Value	Year	1-5 Years
<b>Governmental Activities -</b>			
Pooled investment fund	\$ 16,198,597	\$ 14,510,339	\$ 1,688,258



# Kent County Road Commission

## Notes to Financial Statements September 30, 2008

### Note 3 - Cash, Cash Equivalents, and Investments (Continued)

**Credit Risk** - State law limits investments in commercial paper to the top two ratings issued by nationally recognized statistical rating organizations. The Road Commission has no investment policy that would further limit its investment choices. As of year end, the credit quality ratings of debt securities (other than the U.S. government) are as follows:

	Fair Value	Rating
<b>Governmental Activities - Pooled</b>		
investment fund	\$ 16,198,597	Not rated

### Note 4 - Capital Assets

Capital asset activity for the current year was as follows:

	Beginning Balance	Increases	Decreases	Ending Balance
<b>Governmental Activities</b>				
Capital assets not being depreciated:				
Land and land improvements	\$ 2,405,372	\$ -	\$ -	\$ 2,405,372
Construction in progress	-	161,415	-	161,415
Subtotal	2,405,372	161,415	-	2,566,787
Capital assets being depreciated:				
Buildings	11,641,649	9,150	16,493	11,634,306
Road equipment	15,846,492	1,669,358	619,042	16,896,808
Shop equipment	574,102	-	-	574,102
Nonrental equipment	62,915	-	-	62,915
Office equipment	540,332	132,860	127,588	545,604
Engineering equipment	295,362	2,875	83,240	214,997
Gravel pits	102,986	-	-	102,986
Yard and storage bins	1,980,475	-	-	1,980,475
Infrastructure	414,781,598	20,468,190	2,613,378	432,636,410
Subtotal	445,825,911	22,282,433	3,459,741	464,648,603
Less accumulated depreciation for:				
Buildings	(4,431,972)	(268,295)	(16,493)	(4,683,774)
Road equipment	(12,922,279)	(1,490,265)	(604,451)	(13,808,093)
Shop equipment	(350,237)	(28,921)	-	(379,158)
Nonrental equipment	(57,980)	(1,209)	-	(59,189)
Office equipment	(521,746)	(23,950)	(127,588)	(418,108)
Engineering equipment	(242,392)	(11,986)	(83,240)	(171,138)
Gravel pits	(102,460)	-	-	(102,460)
Yard and storage bins	(1,104,877)	(79,058)	-	(1,183,935)
Infrastructure	(163,197,740)	(19,793,997)	(2,613,378)	(180,378,359)
Subtotal	(182,931,683)	(21,697,681)	(3,445,150)	(201,184,214)
Net capital assets being depreciated	262,894,228	584,752	14,591	263,464,389
Net capital assets	\$ 265,299,600	\$ 746,167	\$ 14,591	\$ 266,031,176

# Kent County Road Commission

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## Notes to Financial Statements September 30, 2008

### **Note 4 - Capital Assets (Continued)**

Infrastructure assets include roads, bridges, drainage structures, traffic signals, etc. These infrastructure assets are the largest asset class of the Road Commission.

### **Note 5 - Other Long-term Liabilities**

#### **Insurance Programs**

The Road Commission is exposed to various risks related to property loss, torts, errors and omissions, and employee injuries (workers' compensation), as well as medical benefits provided to employees. The Road Commission has purchased commercial insurance for coverage of employees' health claims and participates in the Michigan County Road Commission Self-insurance Pool for claims relating to general and auto liability insurance. As a member of the pool, the Road Commission is partially uninsured for general and auto liability, with maximum losses per occurrence of \$25,000 and \$500, respectively, and no limit in the aggregate. Settled claims relating to the commercial insurance have not exceeded the amount of insurance coverage in any of the past fiscal years.

The Road Commission has been a member of the County Road Association Self-insurance Fund since January 1, 2000. As a member of the fund, the Road Commission is fully insured for workers' compensation claims incurred on or after January 1, 2000.

The Road Commission is also self-insured for dental claims. The Road Commission estimates the liability for dental claims that have been incurred through the end of the fiscal year, including both those claims that have been reported as well as those that have not been reported. The estimated liability is insignificant and has not been recorded on the accompanying financial statements.

#### **Compensated Absences**

The compensated absences liability represents the estimated liability to be paid employees under the Road Commission's leave policies. Under the Road Commission's policy, union and nonunion employees earn sick and vacation time based on time of service with the Road Commission. Estimated compensated absences as of September 30, 2008 total \$3,966,138.

# Kent County Road Commission

## Notes to Financial Statements September 30, 2008

### Note 6 - Operating Leases

The Road Commission leases road equipment under several operating leases. The following is a schedule of future lease payments as of September 30, 2008:

2009	\$	164,543
2010		164,543
2011		139,721
2012		56,384

The Road Commission also leases equipment, as needed, on a month-to-month basis. Total rent expense was \$287,773 for 2008.

### Note 7 - Contingent Liability - Lawsuits

One lawsuit against the Road Commission was pending at September 30, 2008. This lawsuit has not yet progressed to the point where a legal opinion can be reached as to the ultimate liability, if any, which may result from the resolution of this case. However, it is the opinion of management that the ultimate liability in excess of the amount provided for at September 30, 2008, if any, would be immaterial to the Road Commission's financial statements.

### Note 8 - Budget Information

The annual budget is prepared by the Road Commission's management and adopted by the Board of Road Commissioners; subsequent amendments are approved by the Board of Road Commissioners. Unexpended appropriations lapse at year end; encumbrances are not included as expenditures. The budget was adopted for the year ended September 30, 2008.

The budget has been prepared in accordance with accounting principles generally accepted in the United States of America. The legal level of budgetary control adopted by the governing body is the activity level. A comparison of actual results of operations to the Road Fund budget as adopted by the Board of Road Commissioners is available at the Road Commission offices for inspection.

# Kent County Road Commission

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## Notes to Financial Statements September 30, 2008

### Note 9 - Pension Plans

#### Defined Contribution Pension Plan

The Road Commission provides pension benefits to all of its full-time employees through a defined contribution plan. In a defined contribution plan, benefits depend solely on amounts contributed to the plan plus investment earnings. Employees are eligible to participate from the date of employment. As established by board resolution, the Road Commission contributes up to 6 percent of employees' gross earnings. Employer contributions, employee contributions for each employee, plus interest allocated to the employee's account, are fully vested after one year of service.

The Road Commission's total payroll during the current year was \$12,304,000. The current year contribution was calculated based on covered payroll of \$11,991,000, resulting in an employer contribution of \$717,000 and employee contributions of \$849,000.

#### Defined Benefit Pension Plan

##### **Plan Description**

For employees that retired before the formation of the defined contribution plan, the Road Commission participates in the Michigan Municipal Employees' Retirement System, an agent multiple-employer defined benefit pension plan which provides retirement and death benefits to retirees and their beneficiaries. The Municipal Employees' Retirement System (MERS) serves as trustee of the plan and issues a publicly available financial report that includes financial statements and required supplementary information for the system. That report may be obtained by writing to the System at 1134 Municipal Way, Lansing, MI 48917. At September 30, 2008, membership in the plan consisted of 24 retirees and beneficiaries currently receiving benefits.

##### **Funding Policy**

Employer contributions to the plan are recognized when due. Benefits are recognized when due and payable in accordance with the terms of the plan. Please refer to Note 1 for further significant accounting policies. Due to the current status of the plan, the only obligation of the employer is to fund any unfunded actuarial accrued liability. Administrative costs of the plan are financed through investment earnings.

# Kent County Road Commission

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## Notes to Financial Statements September 30, 2008

### Note 9 - Pension Plans (Continued)

#### Annual Pension Cost

For the year ended September 30, 2008, no actuarial valuation had been completed for the plan. For the year ended September 30, 2008, the Road Commission's annual pension cost was \$0 and no contribution was made. For the years ended September 30, 2007 and December 31, 2006, the Road Commission's annual pension cost was \$15,685.

#### Reserves

As of September 30, 2008, amounts held by the plan are reserved entirely for retired benefit payments.

### Note 10 - Postemployment Benefits

**Plan Description** - The Road Commission provides healthcare benefits to certain salaried employees upon retirement, in accordance with Road Commission policy. Currently, 48 retirees are eligible. The Road Commission includes pre-Medicare retirees and their dependents in its insured healthcare plan, with a portion of the contribution required by the participants. The Road Commission purchases Medicare supplemental insurance for retirees eligible for Medicare. The Municipal Employees' Retirement System (MERS) serves as the plan administrator.

**Funding Policy** - The Road Commission has no obligation to make contributions in advance of when the insurance premiums are due for payment (in other words, this may be financed on a "pay-as-you-go" basis). Expenditures for postemployment healthcare benefits are recognized as the insurance premiums become due, which amounted to approximately \$203,000 for 2008. In the current year, the Road Commission has made contributions which amounted to approximately \$293,000 to advance-fund these benefits.

**Funding Progress** - For the year beginning October 1, 2008, the Road Commission has estimated the cost of providing retiree healthcare benefits through an actuarial valuation as of December 31, 2006. The valuation computes an annual required contribution, which represents a level of funding that, if paid on an ongoing basis, is projected to cover normal cost each year and amortize any unfunded actuarial liabilities over a period not to exceed 30 years.

# Kent County Road Commission

## Notes to Financial Statements September 30, 2008

### Note 10 - Postemployment Benefits (Continued)

Annual required contribution (recommended)	\$ 496,000
Amounts contributed:	
Payments of current premiums	(203,000)
Advance funding	<u>(293,000)</u>
Increase in net OPEB obligation	-
OPEB obligation - Beginning of year	<u>-</u>
OPEB obligation - End of year	<u>\$ -</u>

The annual OPEB costs, the percentage contributed to the plan, and the net OPEB obligation for the current and two preceding years were as follows:

	Fiscal Year Ended		
	September 30, 2008	September 30, 2007	December 31, 2006
Annual OPEB costs	\$ 496,000	\$ 496,000	\$ 641,000
Percentage contributed	100%	100%	100%
Net OPEB obligation	\$ -	\$ -	\$ -

The funding progress of the plan as of the most recent valuation date is as follows:

Valuation as of December 31, 2006	\$ 5,382,000
Actuarial value of assets	-
Actuarial accrued liability	4,790,000
Unfunded AAL	4,790,000
Funded ratio	0%
Annual covered payroll	12,304,000
Ratio of UAAL to covered payroll	39%

# Kent County Road Commission

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## Notes to Financial Statements September 30, 2008

### **Note 10 - Postemployment Benefits (Continued)**

**Actuarial Methods and Assumptions** - Actuarial valuations of an ongoing plan involve estimates of the value of reported amounts and assumptions about the probability of occurrence of events far into the future. Examples include assumptions about future employment, mortality, and the healthcare cost trend. Amounts determined regarding the funded status of the plan and the annual required contributions of the employer are subject to continual revision as actual results are compared with past expectations and new estimates are made about the future. The schedule of funding progress presents multiyear trend information about whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liabilities for benefits.

Projections of benefits for financial reporting purposes are based on the substantive plan (the plan as understood by the employer and the plan members) and include the types of benefits provided at the time of each valuation and the historical pattern of sharing of benefit costs between the employer and plan members to that point. The actuarial methods and assumptions used include techniques that are designed to reduce the effects of short-term volatility in actuarial accrued liabilities and the actuarial value of assets, consistent with the long-term perspective of the calculations.

In the December 31, 2006 actuarial valuation, the projected unit credit actuarial cost method was used. The actuarial assumptions included a 7.5 percent investment rate of return (net of administrative expenses), which is the expected long-term investment returns on plan assets, and an annual healthcare cost trend rate of 9 percent initially, reduced by decrements to an ultimate rate of 4.5 percent after 2008. Both rates included a 4 percent inflation assumption. UAAL is being amortized as a level percentage of projected payroll on an open basis. The remaining amortization period at September 30, 2008 was 28 years.

### **Note 11 - Contract Obligations**

Estimated future contract obligations related to completion of Road Fund construction projects in progress at September 30, 2008, net of estimated revenue from federal aid and contributions from participating communities, total approximately \$5,410,000. The total remaining cost of these uncompleted projects will exceed the above estimated future contract costs due to inspection costs and other noncontracted services. It is anticipated that a significant portion of such additional costs will be shared with other governmental units and that the Road Commission's share of these costs will not be material in amount.

## **Required Supplemental Information**

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# Kent County Road Commission

## Required Supplemental Information Budgetary Comparison Schedule - Road Fund Year Ended September 30, 2008

	Original Budget	Amended Budget	Actual	Variance Favorable (Unfavorable)
<b>Revenue</b>				
Michigan Transportation Fund:				
Primary road system	\$ 24,558,600	\$ 24,558,600	\$ 24,096,269	\$ (462,332)
Local road system	5,458,400	5,458,400	5,262,598	(195,802)
State trunkline maintenance	6,312,653	9,213,487	8,588,408	(625,079)
Federal and state aid	9,667,252	9,667,252	8,753,228	(914,024)
Contributions for work performed for others	5,096,950	5,740,200	5,199,513	(540,687)
Contributions for facilities construction	315,504	315,504	355,448	39,944
Interest	564,000	564,000	646,102	82,102
Proceeds from sale of fixed assets	127,000	127,000	76,027	(50,973)
Property rentals	152,000	152,000	155,444	3,444
Miscellaneous	500	500	-	(500)
Total revenue	52,252,859	55,796,943	53,133,037	(2,663,906)
<b>Expenditures - Current</b>				
Construction:				
Primary	1,944,438	1,944,438	2,034,996	(90,558)
Local	100,000	485,000	153,266	331,734
Preservation:				
Primary	13,226,546	13,126,546	13,230,802	(104,256)
Local	4,200,000	4,800,000	2,650,334	2,149,666
Maintenance:				
Primary	7,254,000	9,121,000	7,965,455	1,155,545
Local	8,613,300	9,339,300	8,871,598	467,702
State trunkline maintenance	4,928,653	7,829,487	6,380,997	1,448,490
Equipment:				
Direct	3,719,000	3,719,000	3,494,625	224,375
Indirect	1,996,300	1,996,300	1,748,846	247,454
Operating	1,350,000	2,038,000	1,926,907	111,093
Capital outlay	1,207,080	1,207,080	1,278,321	(71,241)
Less equipment rentals charged to other expenditures	(6,765,300)	(9,185,300)	(10,133,240)	947,940
Administrative	1,350,000	1,350,000	1,207,251	142,749
Work performed for units of government and others	749,000	1,349,000	1,939,862	(590,862)
Less provision for depreciation and depletion	(1,506,000)	(1,506,000)	(1,903,684)	397,684
Debt service	21,000	21,000	46,529	(25,529)
Fringe benefits	7,754,000	7,754,000	6,799,512	954,488
Distributive expenses	2,616,900	2,616,900	2,321,330	295,570
Total expenditures	52,758,917	58,005,751	50,013,707	7,992,044
<b>Change in Fund Balance</b>	<b>\$ (506,058)</b>	<b>\$ (2,208,808)</b>	3,119,330	<b>\$ 5,328,138</b>
<b>Fund Balance - Beginning of year</b>			16,547,052	
<b>Fund Balance - End of year</b>			<b>\$ 19,666,382</b>	

# Kent County Road Commission

## Notes to Required Supplemental Information Year Ended September 30, 2008

### Note 1 - Differences from Statement of Activities

Certain amounts differ from what is reported on the statement of activities. These differences are due to administrative expenses which MDOT requires to be posted as reductions to revenue for Act 51 reporting purposes, but are not reductions to revenue for budgetary purposes. For budgetary purposes, they are allocated throughout the various activities shown above.

### Note 2 - Significant Budget Variances

The Road Commission had the following significant variance in actual expenditures from budgeted amounts:

	<u>Budgeted</u>	<u>Actual</u>
Work performed for units of government and others	\$ 1,349,000	\$ 1,939,862

## **Other Supplemental Information**

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# Kent County Road Commission

## Other Supplemental Information Schedule of Administrative Expenditures - Road Fund

	Year Ended September 30	
	2008	2007
Personnel costs	\$ 1,097,322	\$ 1,083,938
Depreciation	22,755	16,517
Utilities	176,090	164,205
Information systems	53,238	42,410
Professional services	57,328	66,007
Insurance	50,646	31,128
Advertising	4,872	4,100
Supplies and postage	62,787	79,439
Equipment rental	52,997	50,767
Repairs and maintenance	78,457	89,265
Other	70,884	62,170
Total	1,727,376	1,689,946
Less administrative credits:		
State trunkline overhead recovered	(775,644)	(842,650)
Material handling	(85,581)	(70,977)
Purchase discounts	(21,967)	(17,512)
Net administrative expenditures	<u>\$ 844,184</u>	<u>\$ 758,807</u>

# Kent County Road Commission

## Other Supplemental Information Schedule of Distributive Expenditures - Road Fund

	Year Ended September 30	
	2008	2007
Fringe benefits:		
Vacation and holiday	\$ 1,234,468	\$ 1,081,678
Sick leave	381,604	317,754
Payroll taxes	956,128	930,448
Retirement plan expense	772,510	793,878
Hospitalization, dental, and life insurance	2,993,075	2,689,822
Longevity	81,750	80,250
Workers' compensation	355,110	236,548
Unemployment compensation	3,222	16,523
Other	21,646	21,542
Total fringe benefits	6,799,513	6,168,443
Other distributive expenditures:		
Engineering services	909,833	938,747
Maintenance	359,919	422,721
Traffic and safety services	681,706	680,455
Planning and human resources	221,949	220,462
Liability insurance	273,630	188,732
Inventory handling and adjustments	388,890	167,500
Yard and storage facilities	213,095	212,694
Total other distributive expenditures	3,049,022	2,831,311
Total distributive expenditures	9,848,535	8,999,754
Less fringe benefits charged to other distributive expenditures	(727,692)	(741,387)
Less amounts charged for work performed	(2,400,473)	(1,611,745)
Total fringe benefits and other distributive expenditures	<u>\$ 6,720,370</u>	<u>\$ 6,646,622</u>
Charges distributed to:		
Construction:		
Primary	\$ 132,166	\$ 193,622
Local	48,635	27,232
Preservation:		
Primary	607,605	607,571
Local	351,116	561,757
Maintenance:		
Primary	1,883,477	1,603,682
Local	2,246,962	2,198,699
Equipment:		
Direct	468,861	488,642
Indirect	399,443	416,605
Operating	85,228	73,083
Administrative	412,576	412,734
Capital outlay	84,301	62,995
Total distributive expenditures	<u>\$ 6,720,370</u>	<u>\$ 6,646,622</u>

# Kent County Road Commission

## Other Supplemental Information Analysis of Changes in Road Fund Balance Year Ended September 30, 2008

	Primary Road	Local Road	County Road Commission	Total
<b>Revenue</b>				
State aid - Act 51	\$ 24,096,268	\$ 5,262,598	\$ -	\$ 29,358,866
State trunkline maintenance	-	-	7,812,766	7,812,766
Federal/State sources	8,753,228	-	355,448	9,108,676
Revenue from local governments	-	2,484,184	2,715,329	5,199,513
Interest, fees, and other revenue	276,396	108,319	492,859	877,574
Total revenue	33,125,892	7,855,101	11,376,402	52,357,395
<b>Expenditures - Current</b>				
Construction	2,167,162	201,900	-	2,369,062
Preservation	13,838,407	3,001,450	-	16,839,857
Maintenance	9,848,934	11,118,560	-	20,967,494
State maintenance	-	-	8,408,973	8,408,973
Equipment and capital outlay	(1,039,769)	(324)	(1,510,300)	(2,550,393)
Administrative	543,253	300,931	-	844,184
Debt services	46,529	-	-	46,529
Other services	-	-	2,312,359	2,312,359
Total expenditures	25,404,516	14,622,517	9,211,032	49,238,065
<b>Optional Transfers</b>	(7,228,880)	7,228,880	-	-
<b>Excess of Revenue Over Expenditures</b>	492,496	461,464	2,165,370	3,119,330
<b>Fund Balances - Beginning of period</b>	6,398,671	2,480,562	7,667,819	16,547,052
<b>Fund Balances - End of period</b>	<u>\$ 6,891,167</u>	<u>\$ 2,942,026</u>	<u>\$ 9,833,189</u>	<u>\$ 19,666,382</u>

# **Kent County Road Commission**

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**Report to the Board of  
County Road Commissioners  
September 30, 2008**



**Plante & Moran, PLLC**  
Suite 100  
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East Lansing, MI 48823  
Tel: 517.332.6200  
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To the Board of County Road Commissioners  
Kent County Road Commission

We have recently completed our audit of the financial statements of Kent County Road Commission (the "Road Commission") for the year ended September 30, 2008. In addition to our audit report, we are providing the following results of the audit, other recommendations, and informational and legislative matters, which impact the Road Commission:

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<b>Results of the Audit</b>	1-4
<b>Other Recommendations</b>	5-6
<b>Informational and Legislative Matters</b>	7-8

We are grateful for the opportunity to be of service to Kent County Road Commission. Should you have any questions regarding the comments in this report, please do not hesitate to call.

*Plante & Moran, PLLC*

January 22, 2009





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## Results of the Audit

January 22, 2009

To the Board of County  
Road Commissioners  
Kent County Road Commission

We have audited the financial statements of Kent County Road Commission (the "Road Commission") for the year ended September 30, 2008 and have issued our report thereon dated January 22, 2009. Professional standards require that we provide you with the following information related to our audit.

### **Our Responsibility Under U.S. Generally Accepted Auditing Standards**

As stated in our engagement letter dated November 21, 2008, our responsibility, as described by professional standards, is to express an opinion about whether the financial statements prepared by management with your oversight are fairly presented, in all material respects, in conformity with U.S. generally accepted accounting principles. We are responsible for planning and performing the audit to obtain reasonable, but not absolute, assurance that the financial statements are free of material misstatement. As part of our audit, we considered the internal control of Kent County Road Commission. Our consideration of internal control was solely for the purpose of determining our audit procedures and not to provide any assurance concerning such internal control.

We are responsible for communicating significant matters related to the audit that are, in our professional judgment, relevant to your responsibilities in overseeing the financial reporting process. However, we are not required to design procedures specifically to identify such matters and our audit of the financial statements does not relieve you or management of your responsibilities.

### **Planned Scope and Timing of the Audit**

We performed the audit according to the planned scope and timing previously communicated to you in the letter about planning matters dated November 25, 2008.

## **Significant Audit Findings**

### ***Qualitative Aspects of Accounting Practices***

Management is responsible for the selection and use of appropriate accounting policies. In accordance with the terms of our engagement letter, we will advise management about the appropriateness of accounting policies and their application. The significant accounting policies used by Kent County Road Commission are described in Note I to the financial statements. The Road Commission changed accounting policies related to postemployment benefits other than pensions by adopting Governmental Accounting Standards Board (GASB) No. 45, *Accounting and Reporting by Employers for Postemployment Benefits Other Than Pensions*.

We noted no transactions entered into by the Road Commission during the year for which there is a lack of authoritative guidance or consensus.

There are no significant transactions that have been recognized in the financial statements in a different period than when the transaction occurred.

Accounting estimates are an integral part of the financial statements prepared by management and are based on management's knowledge and experience about past and current events and assumptions about future events. Certain accounting estimates are particularly sensitive because of their significance to the financial statements and because of the possibility that future events affecting them may differ significantly from those expected. The most sensitive estimates affecting the financial statements were involving the road construction percentage of completion and the assumptions used in the actuarial valuation of pension and OPEB assets, liabilities, and contribution amounts.

For each of these items, we evaluated the key factors and assumptions used to develop the estimates in determining that they were reasonable in relation to the financial statements taken as a whole.

The disclosures in the financial statements are neutral, consistent, and clear. Certain financial statement disclosures are particularly sensitive because of their significance to financial statement users.

### ***Difficulties Encountered in Performing the Audit***

We encountered no difficulties in dealing with management in performing and completing our audit.

### ***Corrected and Uncorrected Misstatements***

Professional standards require us to accumulate all known and likely misstatements identified during the audit, other than those that are trivial, and communicate them to the appropriate level of management. In addition, there were no misstatements detected as a result of audit procedures and corrected by management. However, as described below, there were adjustments that management decided not to record, noting that the entries were not material, either individually or in the aggregate, to the financial statements taken as a whole. These uncorrected misstatements are as follows:

- A receivable that was not collected within 60 days of year end was recorded as revenue on the fund-based statements as opposed to deferred revenue.
- Invoices related to billings to other governmental units were recorded as revenue and receivables and expenditures and payables in October of the 2009 fiscal year as opposed to the year ended September 30, 2008.

### ***Disagreements with Management***

For the purpose of this letter, professional standards define a disagreement with management as a financial accounting, reporting, or auditing matter, whether or not resolved to our satisfaction, that could be significant to the financial statements or the auditor's report. We are pleased to report that no such disagreements arose during the course of our audit.

### ***Management's Representations***

We have requested certain representations from management that are included in the management representation letter dated January 22, 2009.

### ***Management's Consultations with Other Independent Accountants***

In some cases, management may decide to consult with other accountants about auditing and accounting matters, similar to obtaining a "second opinion" on certain situations. If a consultation involves application of an accounting principle to the Road Commission's financial statements or a determination of the type of auditor's opinion that may be expressed on those statements, our professional standards require the consulting accountant to check with us to determine that the consultant has all the relevant facts. To our knowledge, there were no such consultations with other accountants.

### ***Other Audit Findings or Issues***

In the normal course of our professional association with the Road Commission, we generally discuss a variety of matters, including the application of accounting principles and auditing standards, business conditions affecting the Road Commission, and business plans and strategies that may affect the risks of material misstatement. None of the matters discussed resulted in a condition of our retention as the Road Commission's auditors.

To the Board of County  
Road Commissioners  
Kent County Road Commission

January 22, 2009

One other item we want to bring to your attention is Note 9 of the financial statements related to the defined benefit pension plan. Due to circumstances in the current year where the Road Commission switched actuarial providers, the typical disclosure has been truncated in an effort to avoid confusion to the readers of the financial statements. All pertinent and required information is still being disclosed.

This information is intended solely for the use of the Board of County Road Commissioners and management of Kent County Road Commission and is not intended to be and should not be used by anyone other than these specified parties.

Very truly yours,

**Plante & Moran, PLLC**

A handwritten signature in black ink, appearing to read "Mary J. Schafer", written in a cursive style.

Mary J. Schafer, CPA  
Partner

A handwritten signature in black ink, appearing to read "Shaun M. Krick", written in a cursive style.

Shaun M. Krick, CPA  
Associate

## **Other Recommendations**

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# Kent County Road Commission

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## Other Recommendations

### ***Segregation of Duties***

During our audit, we noted that one employee in the finance department has responsibilities over preparing the bank reconciliation, processing cash receipts, overseeing cash disbursements, and processing journal entries. While we understand that the Road Commission is limited in its number of employees, we recommend that some of these responsibilities be segregated to other individuals.

### ***Investment Policy***

The investment policy should be updated in order to comply with Public Act 213 of 2007, which requires investment reports to be made to the governing body on at least a quarterly basis. This act was effective January 1, 2008; our recommendation is that the board review its investment policy and update accordingly.

### ***Oversight of Investment Pool***

The Kent County treasurer has oversight and management responsibility over the Road Commission's cash and investments, which is held in conjunction with other funds in cash and investment pools in which the County participates. The County uses JP Morgan as its financial depository; however, JP Morgan does not act as a broker in the majority of transactions, and as such, no SAS 70 report is obtained. Currently, the Road Commission does not monitor the internal controls in place at the County over the recording, valuation, and security of cash and investment balances. In addition, the Road Commission does not perform a review of the interest income allocation received from the County. Interest income is recorded based solely on what is provided by the County treasurer.

### ***Period Cut-off***

During our testing of subsequent disbursements, we noted two invoices that were recorded in November 2008 but related to the fiscal year ended September 30, 2008. The amounts were related to billable work orders for which the related services had been provided by September 30, 2008. We understand that the Road Commission records these particular transactions in this manner for ease of recordkeeping. However, generally accepted accounting principles dictate that all accounting transactions be recorded in the year for which goods and services were either received or provided.

We recommend that the Road Commission adopt a process to identify these billable work orders that will be received at or around year end and to record either the actual amount billed, or an estimate of the total amount, in the appropriate accounting period.

## **Informational and Legislative Matters**

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# **Kent County Road Commission**

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## **Informational and Legislative Matters**

### ***Investment Law Changes***

Multiple bills are pending in Lansing that would make changes to investment laws governing Michigan communities. Changes have been proposed to add different types of investments to what is commonly referred to as “Public Act 20” which governs the investment of surplus operating monies. Changes are also being proposed to the laws governing the investment of retirement monies.

### ***Retainages***

A bill is pending in the Michigan Legislature regarding retainages held by governmental units. Retainages are a common method used by local governments in procurement, particularly in the area of construction contracts. The law change focuses on reducing the retainage amount that a local government could require and stipulate the payment of interest on these monies among other provisions.